

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – JUNE 18, 2003

PRESENT: Chairman Anthony Maiola and Commissioner John Byrne; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Peter Engel, Director of Store Operations; Howard Roundy, Director of Information Technology; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer; Al Picconi, United Beverages, Inc.; Michael Goclowski, Law Warehouse

EXCUSED: Commissioner Patricia Russell

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending June 15, 2003 shows retail sales were up 4.8%, on-premise sales were up about 1.6%, off-premise sales were up 9.3%, and total aggregate sales were up almost 4.93%. The traffic count increased by 2,305, while the average sales ticket also increased by \$.45.

The W-1 Total Weekly Sales report for the same week confirms total sales were up 4.93% or \$336,884, and that they were also up for the year by 5.63% or \$17,638,033. Wine sales increased by 3.6% or \$105,094 for the week, as they did by 8.9% or \$12,539,806 for the year. Sales of spirits were up on a weekly basis by almost 6% or \$231,790, and also increased year-to-date by 2.96% or \$5,102,864.

B. Budget Reports:

Based on information revealed in the current depletions and post-offs report, Craig mentioned that a brief discussion following this meeting was probably warranted. George passed out copies of a sample invoice. He thought some of the brokers misread the statement regarding finance charges. Discussion followed. Commissioner Byrne questioned the invoices for April, noting that there were brokers on the list which had never been delinquent before. He felt there was definitely something wrong in the communication with brokers. He also felt brokers should be notified if they were to be placed on credit watch. Craig said alerting brokers ahead of time would give them a chance to notify the vendors involved of the situation.

There was a nice spike in the sale of gift cards for Father's Day, with sales almost doubling those of the previous week. Last year at this time 43 cards had been issued, compared with 273 this year.

Union negotiations continue with both Enforcement and retail store units, and it seems resolution is forthcoming regarding some issues. Hopefully Craig will have a favorable report within the next couple of weeks.

Yesterday paperwork was submitted to the Governor's Commission on Disability regarding renewal of the Enforcement lease. The landlord paid for an air quality test, which failed in the area of noise level in the kitchen and basement. Craig was advised to request a waiver concerning this. Hopefully this will be included in the package submitted to Governor and Council on the 24th. The current lease will expire on October 31st.

The current W-6 Expense Budget Activity Variance Report shows the year to be at about 96.4% expended, with total agency expenditures at around 93.29%. Some funds will need to be rearranged to accommodate Store Operations and In-State Travel. The Salaries and Benefits categories appear to be fine. Administrative Services has asked some questions regarding the amount expended for benefits, which are up about 5% over last year. This is due to several increases in the cost of health care. Administrative Services will receive a spreadsheet regarding this.

Focus is now centered on year-end procedures for closing accounts and rolling accounts into the next year. Major adjustments were made in May and, as a result, changes will be minor in June. George has not heard of any negative issues regarding the new accounting software package.

Hiring waivers have been approved from the Governor's Office, but the Commission has yet to receive anything in writing from that office. Commissioner Byrne asked whether or not all waiver requests must go through Fiscal Committee. There was some discussion as to what has occurred in the past.

2) IT Reports

The switch which burned out last week causing difficulties with the credit card system was under warranty; there should be no additional costs to replace it.

IT is working on several loose ends for Masterpiece and RiTA, which should be wrapped up in about a week. Since year end is coming up shortly, and this is the first year on the new system, testing will be done in those areas.

Howard spoke with Mr. Anderson regarding the empty position which will be left by Richard Farrenkopf. The Commission will probably be able to move ahead to fill this vacancy.

II. MARKETING & SALES REPORTS

1. Store Operations

Total store sales for the week ending 6/15/03 were up over the same week last year by 3.99% or \$217,591.35. Peter pointed out that three stores were understated for the week. Stores #11 Lebanon, #73 and #76 Hampton all had variances of over \$1 million. In addition, Store #50 Nashua had an increase of \$300,000 over last year.

Construction continues at Store #34 Salem to wrap up loose ends. The shelving at Store #38 Portsmouth is almost installed; product will be moved in during night hours. Hopefully, by the end of next week everything will be ready on the new side. Commissioner Byrne asked for a construction schedule for the Portsmouth store.

Several staff met yesterday in Keene with representatives from Konover and the Department of Transportation to view the new store site and a temporary site in the Hannaford plaza. The temporary move will be made as soon as the telephone lines go in, and will be effective through January 31, 2005.

Per inquiry from Commissioner Byrne as to progress at the new Brookline store site, Peter said the landlord has been on vacation, but may contact him today.

Nicole reported that the "Set Sail for Savings" promotion produced over \$2 million in retail sales, an increase of \$709,000 over last year's sales period. Wines priced at \$15.00 and above showed some good increases. Nicole noted that the Franciscan wine line did particularly well.

2. Purchasing Report

The current purchasing report shows there are very minimal out-of-stock situations.

Mike Goclowski requested receiving advance notice on sales involving Law Warehouse so product there can be arranged to move more quickly. Commissioner Byrne felt this should be done on all buy-ins. John Bunnell will look further into accomplishing this.

3. Merchandising Report

A. SPIRITS:

1) Test Market Products:

a. Test Market Request (Vox Raspberry Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from United Beverages, Inc./Future Brands for a new test market listing for Vox Raspberry Vodka, 750ML size (assigned four-digit Code #3844), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (Destinee):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from Horizon Beverage Company/ White Rock Distilleries for a new test market listing for Destinee, 750ML size (assigned four-digit Code #5171), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Test Market Request (Forty Creek Barrel Select Whisky):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from Horizon Beverage Company/ Shaw-Ross International for a new test market listing for Forty Creek Barrel Select Whisky, 750ML size (assigned four-digit Code #2282), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Test Market Requests (Poison, Viper and Sting):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from Horizon Beverage Company/ White Rock Distilleries for new test market listings for the following three (3) 750ML size spirit items, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Poison Wild Berry Schnapps (assigned four-digit Code #5740); Viper Sour Apple Schnapps (assigned four-digit Code #5741), and Sting Wild Cherry Schnapps (assigned four-digit Code #5742). The motion was unanimously adopted.

e. Test Market Results (Codes #5517 & #2315):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve the delisting of Code #5517, Trader Vics Pineapple Rum, 750ML size, as this product failed to achieve both the gross profit required for full distribution and for specialty status at the end of a six-month test market period, and grant specialty status to Code #2315, Bruchladdich 15-Year Old Single Malt, 750ML size, which did achieve the gross profit required for specialty listing at the end of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Line Extension Requests:

a. Jim Beam Black Bourbon, 750ML:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from United Beverages, Inc./Future Brands LLC for a size extension on Jim Beam Black Bourbon, 750ML size (assigned four-digit Code #1258), as this brand in the 1.75L size has exceeded the gross profit required for an added size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Villa Massa Lemoncello, 375ML:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from United Beverages, Inc./Laird & Company for a size extension on Villa Massa Lemoncello, 375ML size (assigned four-digit Code #5685), as this brand in the 750ML size has exceeded the gross profit required for an added size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Three Olives Vodka, 375ML:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from Horizon Beverage Company/White Rock Distilleries for a size extension on Three Olives Vodka, 375ML size (assigned four-digit Code #3817), as this brand in both the 1.75L and 750ML sizes have exceeded the respective gross profits required for an added size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Special Offers (August/September):

a. 1 item – Phoenix Marketing (removed from agenda).

b. 3 items – Pine State Trading Company:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from Pine State Trading Company, based upon depletions of three (3) spirit items, to be featured on sale during August 2003, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- c. 3 items – Perfecta Wine Company:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from Perfecta Wine Company, based upon depletions of three (3) spirit items, to be featured on sale during August 2003, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- d. 43 items – Executive Wine & Spirits/Martignetti:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from Executive Wine & Spirits/Martignetti Companies of N.H., based upon depletions of forty-three (43) spirit items, to be featured on sale during August 2003, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- e. 71 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers, without matching funds, from United Beverages, Inc., based upon depletions of seventy (71) spirit items, to be featured on sale during August 2003, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

- 1) Proposed Wine Sale for October 2003 (Sept. 29 – Oct. 26):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a 10% discount on all 750ML size wines when purchasing twelve (12) or more bottles during the “Fall Into Savings” Sale, effective Monday, September 29 through Sunday, October 26, 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 2) Wine Tasting Event:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission’s participation in a wine tasting event in conjunction with Easter Seals, to be held at the Center of New Hampshire on January 29, 2004 from 5:30 to 7:30 p.m. be approved, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) BV Coastal Consumer Tastings:

It was moved by Commissioner Maiola, seconded by Commissioner Byrne, that the Commission approve a proposal from United Beverages, Inc./Diageo Chateau & Estate Wines Company to hold six (6) consumer tasting events in support of the Segway Sweepstakes and BV Coastal wines on June 27 and July 11 and 25, 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted. (Commissioner Byrne suggested that alternative stores in the seacoast area be considered in place of Store #25 Stratham for future events.)

4) Wine Clearance Outlet Area: Item was tabled. Will appear on next agenda.

5) Special Offers for August 2003:

a. 6 items – M.S. Walker, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from M.S. Walker, Inc., based upon depletions of six (6) wine items, to be featured on sale during August 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 18 items – Pine State Trading Co./E & J Gallo Winery:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from Pine State Trading Co./E & J Gallo Winery, based upon depletions of eighteen (18) wine items, to be featured on sale during August 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Recommended Wine Specialty Products (10 items):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve ten (10) wine codes to be designated as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Recommended Allocated & Restricted Wines for Distribution to Selected Stores (16 items):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve sixteen (16) allocated and restricted wine codes for distribution

to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 8) Primary Source Submissions: (1 item – primary source; 6 items – exclusive agent; 45 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve the listing of one (1) wine code which is from primary source, six (6) wine codes which are not from primary source, but are offered by the exclusive marketing agent, and forty-five (45) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 9) Purchase and Distribution of Hardy's Stamp Series (tabled from 5/28/03):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that this item be removed from the table, and that the Commission approved a revised special purchase and distribution offer from United Beverages, Inc./Pacific Wine Partners of a buy-in program on six (6) Hardy's Stamp Series wines during August and September 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales, but that there be a change in the distribution plan to exclude Stores #60 West Lebanon and #69 Nashua, and include Stores #7 Littleton and #48 Hinsdale. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORT

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve all previously reviewed requests for bailment releases/transfers dated June 12 through June 18, 2003. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items: None.

Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

